

Verizon New England Inc.
Application for Cable Television Compliance Order Certificate
Service Areas Two, Three, and Eight
And Request For Expedited Consideration

March 8, 2007

Statement of Application

Pursuant to Section 3.3 of the Rhode Island Division of Public Utilities and Carriers' Rules Governing Community Antenna Television Systems ("Cable Rules"), Verizon New England Inc. ("Verizon") hereby applies for a Compliance Order Certificate for Service Areas Two, Three, and Eight.

Executive Summary

Verizon seeks permission from the Division to begin offering cable services in Service Areas Two, Three, and Eight.

Rhode Island will receive the full benefits of Verizon's revolutionary video offering that will provide residents of the Ocean State with a vast array of competitive digital video services.

Verizon's technical, financial, and managerial qualifications to own and operate a cable system in Service Areas Two, Three, and Eight are well established. In 2006, the Division conducted an extensive proceeding in which it assessed Verizon's qualifications in considering its Application for a Compliance Order Certificate for Service Area Six, and it found that Verizon was well qualified to own and operate a cable system in Rhode Island. A copy of the Compliance Order certificate Issued to Verizon for Service Area Six is attached hereto as Exhibit 1. Verizon Communications is a Fortune 15 company with over \$80 billion in annual revenues and over 210,000 employees worldwide. Verizon has over 100 years of experience providing high quality services and unparalleled customer care to the residents of Rhode Island. Currently, Verizon employs more than 1,119 people in Rhode Island, with an annual payroll of more than \$65 million. Verizon located its new regional FiOSSM Solution Center in Providence to provide customer service for video services for customers throughout the Northeast. The FiOSSM Solution Center has already brought more than 150 new jobs to Rhode Island and will generate even more jobs as Verizon expands its video services. Now, Verizon stands ready to utilize its experience and resources to bring the benefits of competition to the residents of Providence, North Providence, Cranston, Foster, Scituate, Johnston, Westerly, Hopkinton, Richmond, Charlestown, South Kingstown, and Narragansett.

In accordance with Section 3.3 (c) of the Cable Rules, Verizon provides the following information:

Channel capacity, including both the number of channels in the proposed system and the number of channels to be energized immediately. Rule 3.3(c)(1).

The channel capacity of the FTTP network in Rhode Island is up to 860 MHz. Verizon expects to offer more than 330 channels upon launch of its video service in Service Areas Two, Three, and Eight, similar to Verizon's planned number of channels for Service Area Six and the number of channels it offers to customers in Massachusetts, New York, Pennsylvania, Texas, Virginia, Florida, California, Delaware, and Maryland. Verizon expects to offer its customers in Rhode Island a set of content packages and channels substantially similar to what is offered to Verizon's customers in Massachusetts. A sample list of Verizon's channels and content packages from Massachusetts is attached hereto as Exhibit 2. Of course, Verizon's channel lineup and package offerings in Rhode Island, and the number and nature of the particular channels that will be offered are still under development and are subject to modification. Verizon will keep the Division apprised of any changes to its channel lineup.

Verizon expects to offer an all-digital expanded basic package as well as several premium service packages. Verizon will carry PEG programming on its Basic Service. Verizon will provide the Division with updated information on the specific channels and content packages that it will offer in Service Areas Two, Three, and Eight before it begins offering video services to the general public.

The Television and Radio Broadcast Signals to be Carried, with a Description of Programming and Other Services to be Offered. Rule 3.3(c)(2).

Verizon plans to offer Rhode Island residents a channel lineup and set of content packages similar to those shown on the attached Exhibit 2, which is the most recent channel lineup for Verizon's FiOSSM TV service in Massachusetts. As a new entrant into the Rhode Island video market, Verizon intends to offer a fully competitive set of channel options to our customers, including access to a basic service group of channels and an expanded basic service package. Verizon also intends to offer multiple premium channel groupings, plus international channels, movie and music channels and high definition television, in addition to an extensive offering of video on demand titles and an array of multicultural channels to meet the needs of Rhode Island's diverse population. Verizon will carry all local broadcast stations and PEG Access channels on its Basic Service tier. Radio broadcast channels are not a part of the FiOS product.

Description of the Proposed System Design and Planned Operation. Rule 3.3(c)(3).

A detailed description of the FTTP System Architecture is attached as Exhibit 3. FTTP is an upgrade to Verizon's existing telecommunications network under authority granted by Title II of the Communications Act and uses fiber-optic cable and optical electronics to directly link homes and businesses to the Verizon network. The FTTP Network will also be capable of carrying a wide range of video services. In constructing the FTTP Network, Verizon will comply with all applicable National Electric Code and National Electric Safety Codes for telecommunications facilities.

Location of Headends and Antennas. Rule 3.3(c)(3)(i).

Verizon has two Super Head Ends (SHE), located in Florida and Indiana that serve as national points for content aggregation. The SHEs are completely redundant to ensure that there are no interruptions in the national broadcast feeds. National content travels from the SHE to a regional Video Hub Office (VHO) where it is off-loaded from the long haul network and integrated with local and regional content. Content is then transported to local Video Serving Offices (VSO) for transport to the end users. For a more detailed description of the FTTP network, see Exhibit 3.

The VHO that will serve Service Areas Two, Three, and Eight is located in Burlington, Massachusetts. The potential VSO locations for Service Areas Two, Three, and Eight are in Verizon's Wire Centers located in Providence Washington Street, Cranston, Centredale, Pawtucket, Warwick, West Warwick, Providence Broad Street, Coventry, Glocester, Scituate, Ashaway, Weekapaug, Westerly, Carolina, Hope Valley, Narragansett, and North Kingstown.

Extent and Type of Information Services to be Offered on the Residential Network. Rule 3.3(c)(3)(ii).

Verizon will make available to subscribers in Service Areas Two, Three, and Eight advanced high speed data capabilities over its Title II FTTP network (referred to herein as FiOSSM). The FiOSSM data product provides consumers with upstream and downstream data capacity that far exceeds anything currently offered in the State of Rhode Island. Verizon intends to offer its FiOSSM data product as its FTTP build-out proceeds. (As a data service governed by Title I of the Communications Act, the FiOSSM product does not require a cable license.)

Extent and Type of Automated Services to be Provided. Rule 3.3(c)(3)(iii).

Currently, Verizon has no plans to provide automated services related to PEG Access facilities or programming.

Location of Origination Points and Origination Facilities. Rule 3.3(c)(3)(iv).

Currently, Verizon has no plans to operate such facilities.

The Number of Channels to be Made Available for Access Uses. Rule 3.3(c)(3)(v).

Verizon plans to carry all Public, Education, and Government (PEG) Access Channel capacity currently offered by the Rhode Island Public Telecommunications Authority ("RIPTA") in Service Areas Two, Three, and Eight. In fact, Verizon is already in the process of interconnecting with RIPTA's Providence studio to provide PEG programming in Service Area Six.

Verizon recognizes its obligation to provide support for a PEG Access studio in Service Areas Two, Three, and Eight. Pursuant to the terms and conditions of the Settlement Agreement filed

in Docket No. 2006-C-4 (attached hereto as Exhibit 4). Verizon will provide RIPTA with a grant of fifty thousand dollars (\$50,000) plus two dollars (\$2) per household for each Service Area. According to Exhibit 1 of the Settlement Agreement, Service Area 2 has 76,740 households, Service Area 3 has 47,466 households, and Service Area Eight has 34,196 households. As such, Verizon will provide RIPTA with grants of two hundred three thousand four hundred eighty dollars (\$203,480) for Service Area Two, one hundred forty-four thousand nine hundred thirty-two dollars (\$144,932) for Service Area Three, and one hundred eighteen thousand three hundred ninety-two dollars (\$118,392) for Service Area Eight. Verizon will also provide Eligible Institutional Users (as that term is defined in the Settlement Agreement) with access to FiOSSM Business data service pursuant to the terms of the Settlement Agreement. In addition, Verizon proposes to interconnect with the RIPTA-operated PEG Access studios in Service Areas Two, Three, and Eight.

Provisions for Expansion of Channel Capacity and Other Upgrading as Technological Improvements Become Available. Rule 3.3(c)(3)(vi).

The FTTP network is a state of the art, all fiber upgrade to Verizon's existing telecommunications network under authority granted by Title II of the Communications Act. The FTTP network will be used to provide high quality voice, and advanced data services, and is also capable of providing video services. This unique fiber optic network will be the platform from which Verizon provides a variety of services to Rhode Island subscribers.

A Timetable for the Completion of Construction of the Proposed System. Rule 3.3(c)(4).

Verizon will activate cable service in Service Areas Two, Three, and Eight in accordance with the timetable set forth in Section 8.2 of the Cable Rules. Service will be provided to subscribers in accordance with all applicable requirements of the Cable Rules, including Density Standards (Section 10.2 of the Cable Rules) and Verizon's Line Extension Policy (promulgated pursuant to Section 10.3 of the Cable Rules and attached hereto as Exhibit 5). Verizon will install and activate its VHO facilities and its VSO facilities within its wire centers during the final stages of its Title II network upgrade. The upgrade of the existing Verizon telecommunications network to FTTP and conversion of central offices to video capability, however, is a multi-billion dollar undertaking for Verizon. Scheduling of such activity is based on multiple factors, including budget considerations, availability of sufficient workforce, permitting issues and equipment availability. For these reasons, the schedule stated here may shift or be altered. Verizon will make cable television service available to customers served by any given central office in Service Areas Two, Three, and Eight when Verizon completes FTTP upgrades of that central office service area and makes the central office video capable. Verizon expects that it will be able to provide service to portions of Service Areas Two, Three, and Eight shortly after the Division grants the requisite Certificates of Authority to Operate pursuant to Section 3.5 of the Cable Rules.

A Proposed Tariff. Rule 3.3(c)(5).

Upon Verizon's entry into the cable television market of Service Areas Two, Three, and Eight, Verizon's cable system will be subject to effective competition as defined in 47 U.S.C. §543 (l)(1). Accordingly, Verizon's rates will not be subject to federal or state regulation. Verizon thus intends to file a tariff pursuant to R.I.G.L. §39-19-6 and § 11.1 of the Division's Rules for informational purposes only, and not in order to obtain approval of the rates listed therein. Verizon anticipates that such tariff will contain the same terms as in Verizon's informational tariff for Service Area Six, a copy of which is attached hereto as Exhibit 6. The rates and services listed in Exhibit 6 reflect Verizon's current intention only, and the actual rates and services to be included in Verizon's future tariff filing may vary from those shown on the Exhibit. In any event, it is Verizon's goal to establish a robust national channel lineup and competitive pricing in Service Areas Two, Three, and Eight.

Terms and Conditions Under Which Service is to be Provided to Educational, Charitable, and Governmental Entities. Rule 3.3(c)(6).

Pursuant to Section 7.3 of the Division's Rules, Verizon will provide standard video installation and Basic Service at no charge to fire stations, police stations, municipal buildings, hospitals, public and private universities, public libraries, public and private schools, and religious institutions throughout Service Areas Two, Three, and Eight.

A Statement of the Applicant's Qualifications and Experience in the Cable Television Field, if any; and the Names and Professional Experience of the Persons or Organizations who Will be Responsible for the Design, Construction, Installation, and Operation of the Proposed System. Rule 3.3(c)(7).

Verizon has been providing services to residents, businesses and governments within the State of Rhode Island for some one hundred years.

A list of representative cable television leadership within Verizon follows:

Donna C. Cupelo
Region President – Massachusetts and Rhode Island

Ms. Cupelo serves as Massachusetts and Rhode Island's chief executive, with primary responsibility for service, government and regulatory affairs, public policy and economic development. She is leading Verizon's efforts to obtain all necessary certificates for Verizon to gain entrance into the video market in Rhode Island. Ms. Cupelo is a graduate of Providence College and holds a Master of Business Administration from Babson College.

Terry K. Denson
Vice President – FiOS TV Content Strategy and Acquisition

Mr. Denson oversees the creation and implementation of video product packaging, pricing and marketing strategies, video content acquisitions, and video customer acquisition, education and retention. Prior to joining Verizon, he was Vice President of Programming for Insight

Communications, the ninth largest cable operator in the country, where he led the program acquisition and content strategy efforts. Prior to that, he served as Director of Business Development for MTV Networks, and as a general attorney for ABC, where he managed content rights and distribution issues. He is a graduate of Harvard University, and of Georgetown Law School.

Shawn M. Strickland

Vice President – FiOS TV Product Management

Mr. Strickland is responsible for developing and executing the video product plans for Verizon Communications. Prior to assuming this responsibility, he was responsible for managing the data and voice products on the Fiber To The Premise platform. He began his career at Bell Atlantic with the Corporate Development organization. He is a graduate of Harvard University, holds a Master of Business Administration degree from Columbia University, and is a Certified Financial Analyst.

Mr. M. James Ho

Distinguished MTS, Video Services Technology

Mr. Ho is responsible for the network architecture associated with video services for Verizon Communications. He has more than fifteen years experience in video related fields, including video compression and satellite Direct To Home, video on-demand over DSL, full service video delivery over MMDS, the technology interface between Bell Atlantic and Direct TV. He has been associated with development of the video service architecture since year 2000. He attended the Polytechnic University of New York, majoring in mathematics and computer sciences.

A Statement Indicating Whether the Applicant or Any of Its Principals Owns or Operates any Other CATV System or any Newspaper or any Broadcast Television or Radio Station, and the Names and Addresses of Each Such Operation and the Chief Executive Officer of the Franchising Authority in Which Each System or Station is Located. Rule 3.3(c)(8).

Verizon currently holds a Compliance Order Certificate in Rhode Island Service Area Six and holds licenses in forty one (41) communities in Massachusetts. Exhibit 7 attached hereto provides the names and addresses of each Franchising Authority that has granted such a license. Copies of these licenses are publicly available from the Cable Division of the Massachusetts Department of Telecommunications and Energy. Verizon also has applications for cable television franchises pending in several other cities and towns in Massachusetts.

Affiliates of Verizon New England Inc., as of this date, have been granted cable television licenses or franchises in over six hundred fifty (650) localities in the states of New York, Pennsylvania, Florida, Texas, Indiana, California, New Jersey, Virginia, Delaware, and Maryland and have been providing cable services to consumers since the third quarter of 2005.

Verizon will provide the addresses and contact information for representatives of these communities upon request.

A Statement of Ownership Detailing the Corporate Organization of the Applicant, Including the Names and Addresses of Officers and Directors and the Number of Shares Held by Each; and Intracompany Relationships, Including Parent, Subsidiary, and Affiliated Companies. Rule 3.3(c)(9).

Applicant Verizon New England Inc. is a corporation, incorporated in New York on October 19, 1883. Its Federal tax identification number is 04-1664340. Verizon New England Inc. is 100.00% owned by NYNEX Corporation. NYNEX Corporation, in its turn, is 100.00% owned by Verizon Communications Inc. Verizon Communications Inc., a Fortune 15 company, is a corporation publicly traded on the New York Stock Exchange and other stock exchanges.

Officers, Directors and Ownership Interests

Current Directors:

Lawrence T. Babbio, Jr.
Bruce P. Beausejour
Paula L. Brown
Donna C. Cupelo
Robert J. Barish

Current Officers:

Lawrence T. Babbio, Jr.	Chairman of the Board and Chief Executive Officer
Robert J. Barish	Chief Financial Officer
Paula L. Brown	Region President – Northern New England
Donna C. Cupelo	Region President – MA and RI
Marianne Drost	Secretary
Janet M. Garrity	Assistant Treasurer
Veronica C. Glennon	Assistant Secretary
Edwin F. Hall	Controller
Richard P. Jankun	Vice President – Taxes
David S. Kauffman	Assistant Secretary
Richard R. Masching	Vice President – Taxes
Joseph J. McGeever	Vice President – Taxes
Cheryl E. Mongell	Region President – Operations (New England States)
Bruce P. Beausejour	Vice President, General Counsel, and Assistant Secretary
Neil D. Olson	Assistant Treasurer
Kevin J. O’Quinn	Assistant Comptroller
Jane A. Schapker	Assistant Secretary

Sheila L. Small

Assistant Treasurer (for risk management and insurance matters only)

Catherine T. Webster

Vice President and Treasurer

All officers and directors identified above may be contacted through:

185 Franklin Street
Boston, MA 02110

None of the officers or directors named above owns stock in Applicant Verizon New England Inc. as Verizon Communications Inc. owns 100 percent of Applicant's stock.

A Documented Plan for Financing the Proposed CATV System. Rule 3.3(c)(10).

Verizon Communications Inc. intends to finance provision of cable television service within the State of Rhode Island from a variety of internally and externally generated funds, as is done with all programs undertaken by the Company. Verizon Communications Inc. is a Fortune 15 company with 2005 revenues in excess of \$80 billion. As ample demonstration of the financial strength and stability of the company, attached hereto as Exhibit 8 is the 2005 Annual Report to Shareholders of Verizon Communications Inc. The Annual Report includes the 2005 Income Statement, Balance Sheet, and Cash Flow Report for the Company, along with the Auditor's Letter and the Statement of Management. The most recent financial reports for Verizon New England Inc. are also attached hereto as Exhibit 9 and Verizon's most recent Automated Report Management Information System (ARMIS) report is attached hereto as Exhibit 10. Verizon will provide the Division with updated financial reports as they become available.

In 2005, the internally generated funds of Verizon Communications Inc. came from a variety of sources, including cash from operations and depreciation. Externally generated funds included long and short term borrowings, as reported in the Verizon Communications 2005 Annual Report. The results of Verizon New England Inc. operations are consolidated into Verizon Communications Inc., and the requirements for capital to be utilized for Verizon New England Inc. activities flow from Verizon Communications. Based on Verizon's 2006 10K Annual Report filing to the SEC (attached hereto as Exhibit 11), Verizon Communications Inc. generated enough Cash from Operations to fully fund its capital program internally. However, in the future, Verizon Communications Inc. may utilize externally generated funds to finance a portion of its capital program as conditions warrant.

To date, all capital spent in Service Areas Two, Three, and Eight has been spent to upgrade Verizon's Title II FTTP Network. No capital has been spent on plant or equipment that is to be used solely to enable the provision of cable services in any of the Service Areas.

Pro forma income statements and balance sheets showing ten (10) years of projected operations of the applicant. Rule 3.3(c)(11)

Verizon is submitting to the Division herewith under separate cover pro forma income statements and balance sheets under seal as highly confidential information.

Maintenance of a Local Business Office. Rule 13.1.

Verizon will maintain a local business office in accordance with the requirements of Sections 13.1 (a)-(c) of the Cable Rules. Verizon has not yet determined the exact locations of the local business offices for Service Areas Two, Three, and Eight. Verizon will provide the Division with specific information regarding its local business offices when such information becomes available.

A Statement Indicating Why it Would be in the Public Interest to Grant the Application. Rule 3.3(c)(12).

Granting the application would allow Verizon to bring competition and all its attendant benefits to the cable television market in Service Areas Two, Three, and Eight, which is not currently subject to effective competition. Service Areas Two, Three, and Eight are currently served by a single cable operator (Cox Communications, Inc.), and recent national studies have shown that areas with more than one cable operator have cable rates that are on average 15% lower than areas with a single provider (See Exhibits 12 and 13). We expect that, as it has in other industries, competition will bring greater innovation in products, services and options to cable subscribers in the Area. The issuance of a competitive cable certificate will provide choice to Rhode Island subscribers where none currently exists and is therefore in the public interest.

Request for Expedited Consideration

Verizon requests that the Division consider and then grant this Application on an expedited basis. Verizon has demonstrated in the recently completed proceedings on its application for a Compliance Order Certificate for Service Area Six, Docket 2006-C-4, that it is fit, willing, technically qualified and financially able to provide cable television service in Rhode Island and to conform to the laws of the state and the requirements, orders, rules and regulations of the Division. Verizon has also demonstrated to the satisfaction of the Division that Verizon's operation of a cable television system in the state will bring real competition and its attendant customer benefits to the cable television market and thereby serve the public interest. Moreover, the Settlement Agreement between Verizon and the Advocacy Section that the Division approved in Docket 2006-C-4 provides the financial and related terms on which Verizon will support PEG access programming and studios, including in Service Areas Two, Three, and Eight once Verizon begins offering service in those Areas. With these factors in mind, Verizon suggests that there are few, if any, substantive issues to be addressed in this proceeding and that this Application is therefore appropriate for expedited consideration.

Conclusion

Verizon is eager to bring the benefits of video choice to the residents of Service Areas Two, Three, and Eight. Verizon respectfully requests that the Division review the instant Application for a Compliance Order Certificate for Service Areas Two, Three, and Eight in an expeditious manner and schedule appropriate public hearings in accordance with applicable rules.

Exhibit List

- Exhibit 1: Service Area Six Compliance Order Certificate
- Exhibit 2: Sample Channel Lineup
- Exhibit 3: FTTP Network Architecture
- Exhibit 4: Verizon Settlement Agreement
- Exhibit 5: Verizon Line Extension Policy
- Exhibit 6: Verizon Informational Tariff-Service Area Six
- Exhibit 7: Contact Information for Verizon LFAs
- Exhibit 8: Verizon 2005 Annual Report
- Exhibit 9: Verizon New England Inc. 2005 Financial Reports
- Exhibit 10: Verizon New England Inc. ARMIS Report
- Exhibit 11: Verizon 2006 10-K Report
- Exhibit 12: *Telecommunication: Issues Related to Competition and Subscriber Rates in the Cable Television Industry* (GAO-04-8)
- Exhibit 13: *Report on Cable Industry Prices, Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992*, 20 FCC Rcd 2718 (2005)